

# Alaska

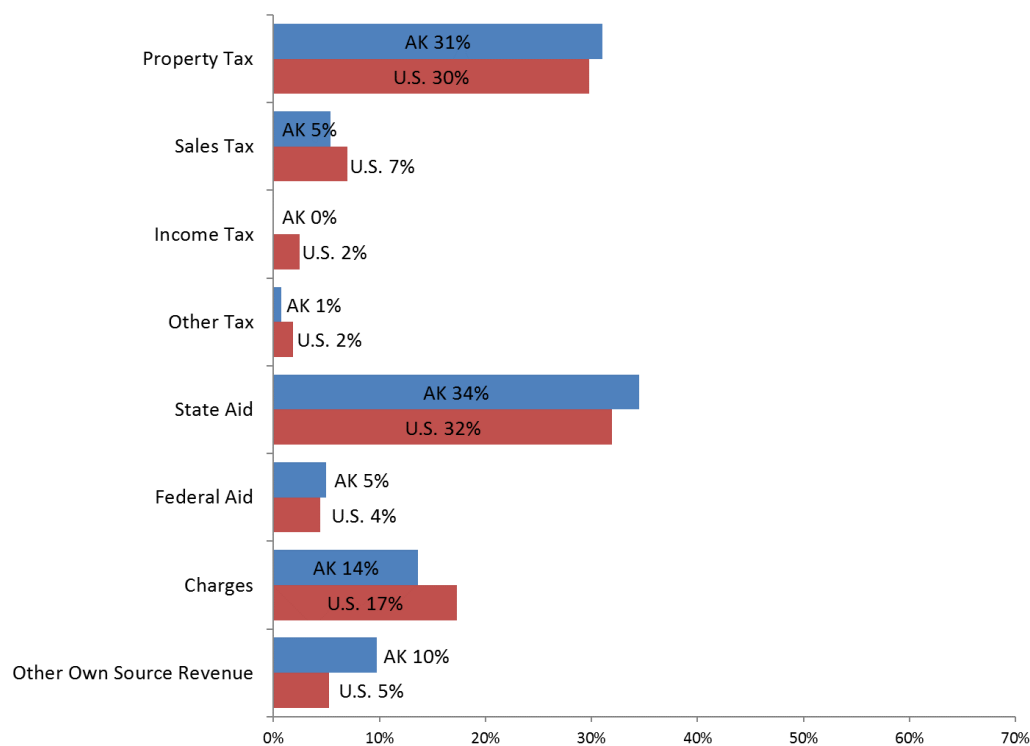
## Highlights

For most of Alaska’s history, both the state and local governments have derived a significant amount of their revenue from oil and gas. The state levies neither a general sales tax nor an income tax. Instead, it levies a severance tax and a statewide property tax on oil and gas exploration, production, and pipeline transportation. Local governments also derive a significant portion of their property tax revenue from oil and gas property. The recent drop in oil prices presents an enormous fiscal challenge for the state.

Alaska has a large land area and a small population and in many ways is still a frontier state. More than one third of the state has no organized local government (McGee 2015).

Property taxes are the most important local government tax, even though many local governments do not levy a property tax (figure AK-1). Municipalities and boroughs (equivalent to counties) can also levy sales taxes and a number of special taxes such as those on alcohol, tobacco, car rental, or raw fish.

**Figure AK-1**  
**Sources of Local General Revenue, Alaska and U.S., 2014**



Source: U.S. Census via Significant Features of the Property Tax

## Property Tax Reliance

Although Alaska ranks low in terms of total property tax as a percentage of state-local revenue, it ranks fifth among the states for per-capita property tax and fourth for property tax as a percentage of personal income (table AK-1).

**Table AK-1**  
**Selected Alaska Property Tax Statistics, 2014<sup>1</sup>**

	Alaska	U.S. Average	Rank (of 51) <i>1 is highest</i>
<a href="#">Per capita property tax</a>	\$2,641	\$1,464	5
<a href="#">Property tax percentage of personal income</a>	4.8%	3.2%	4
<a href="#">Total property tax as percentage of state-local revenue</a>	13.6%	16.9%	35
Median owner-occupied home value <sup>2</sup>	\$250,000	\$178,600	10
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$2,956	\$2,149	12
Effective tax rate, median owner-occupied home <sup>3</sup>	1.2%	1.2%	19

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2011-2015.

<sup>3</sup> Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

Of the 163 borough and municipal governments in Alaska, only 36 levy a property tax (State of Alaska, Office of the State Assessor 2017, 10). Most real and personal property is assessed at the local level, and there is no fixed schedule for revaluation.

There is a statewide property tax on real and tangible personal property used in the oil and gas business, and this property is assessed by the state. The Alaska state assessor also determines the value of taxable property (or potential taxable property) within each school district for purposes of the state's foundation education aid program. This is most challenging for areas where local governments do not levy a property tax.

## Limits on Property Taxation

Alaska employs both a municipal tax rate cap and a municipal tax levy cap. The property tax rate limit for first-class cities is 30 mills and for second-class cities, 20 mills. There is no ability to override. First-class cities have 400 or more permanent inhabitants; second-class cities have 25 or more permanent inhabitants (Alaska Municipal League 2014).

The levy limit in Alaska states that municipalities can't levy taxes that exceed \$1,500 a year per resident. There is no override process for the levy limit, but this limit does not apply to taxes levied or pledged to pay principal or interest on bonds.

## Property Tax Relief and Incentives

Alaska does not have a property tax circuit breaker (table AK-2). The most important property tax relief program is a mandatory exemption of \$150,000 of a homeowner's property value for seniors or disabled persons. Local governments have the option of increasing this exemption.

Agricultural land and farmland in the state are eligible for full or partial property tax exemption as well as current-use valuation of their property. Historic property is also eligible for full or partial exemption from the property tax.

Alaska also employs economic incentive programs through the property tax credit. The property tax exemption program allows properties to be exempt from property taxes for up to five years, and for payment of property taxes to be deferred for five years, as long as the deferral is tied to increasing jobs or wages. Alaska also has a tax increment finance program.

**Table AK-2**  
**Property Tax Features of State Governments, United States, 2015**

Feature	Alaska	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	No	25
<a href="#">Assessment of property primarily by county</a>	No	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	19
<a href="#">Circuit breaker property tax relief program</a>	No	34

Sources: Significant Features of the Property Tax

## Key Property Tax History

Alaska has relied on property taxation since it became a state in 1959. The discovery of North Slope oil less than a decade later altered the state's fiscal landscape. The state government abolished its income tax in 1980, as it was able to derive about 85 percent of its revenue from oil and gas (Barone and McCutcheon 2014).

In the early 1980s, the state required all municipalities to exempt the first \$150,000 of homestead property for seniors. At first, the state government reimbursed local governments for the revenue loss, but it no longer does.

## Recent Developments

The state is facing an ongoing fiscal crisis because of the steep decline in the price of oil and the state's dependence upon revenue from the oil industry. "In the last three years, Alaska has gone from the highest credit rating in the nation to the third lowest, better than only Illinois and New Jersey" (State of Alaska, Office of the Governor 2017). Moody's rationale for a July 2017 downgrade included the low price of oil, the state's drawing down of reserves as a budget balancing tool, and the lack of a long term fiscal plan. In order to balance its budget the state has also cut spending (spending has been cut by 44 percent since 2013) (Moody's Investors Service 2017).

Governor Walker has proposed a plan to reform Alaska's revenue system, including enactment of a state income tax. In the last legislative session, an income tax plan passed the House of Representatives, but was defeated in the Senate. One proposal which has been put forth to help reform the state's revenue system is a shift from levying a severance tax to an oil and gas property tax (Croft 2017).

There are a number of legal challenges pending at both the State Supreme Court and the State Superior Court regarding the valuation of the potential property tax base for the purposes of the state's foundation aid program in areas that do not levy a property tax.

## Resources

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## **Author**

**Daphne A. Kenyon**, Resident Fellow in Tax Policy, Lincoln Institute of Land Policy

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